

**BEFORE THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

DOCKET NO. 2017-370-E

In Re: Joint Application and Petition of)
South Carolina Electric & Gas Company)
and Dominion Energy, Inc. for review and)
approval of a proposed business combination))
between SCANA Corporation and)
Dominion Energy, Inc., as may be required,)
and for a prudency determination regarding)
the abandonment of the V.C. Summer Units)
2 & 3 Project and associated merger benefits))
and cost recovery plans)

**POST-HEARING BRIEF ON
BEHALF OF THE UNITED
STATES DEPARTMENT OF
DEFENSE AND ALL OTHER
FEDERAL EXECUTIVE
AGENCIES**

Pursuant to the Public Service Commission's Regulation 103-851, the United States Department of Defense and all other Federal Executive Agencies, by and through its legal counsel, hereby submits its Post-Hearing Brief in the above captioned matter.

On January 12, 2018, South Carolina Electric & Gas Company ("SCE&G") and Dominion Energy, Inc. (collectively the "Joint Applicants") filed a Joint Application and Petition with the Public Service Commission, seeking approval of a proposed transaction whereby SCE&G's parent, SCANA Corporation, will become a wholly-owned subsidiary of Dominion Energy. In the Joint Application and Petition, the Joint Applicants sought approval of a Customer Benefits Plan and a cost recovery plan for new nuclear development costs associated with the V.C. Summer Units 2 & 3 Project.

On January 29, 2018, the United States Department of Defense and all other Federal Executive Agencies ("DoD/FEA") petitioned to intervene in the proceeding, and the Public Service Commission ("Commission") granted the petition to intervene.

DoD/FEA has not taken a position as to whether the Commission should reject or approve the merger. Additionally, DoD/FEA has not addressed all the issues in this matter. DoD/FEA's silence on certain issues should not be construed as endorsement of the Joint Applicant's position. Primarily, DoD/FEA addresses two issues: (1) issuance of the \$1.3 billion one-time rate credit (2) the NND project costs should be recovered through securitization if enabling legislation is passed.

One-Time Rate Credit of \$1.3 Billion

The Joint Applicants have submitted three different merger condition plans. In addition to the Customer Benefits Plan, the Joint Applicants have also introduced two other alternative plans, first the Joint Applicants submitted the Alternative Customer Benefits Plan ("Plan B") through the Supplemental Rebuttal Testimony of Prabir Purohit, and on November 20, 2018 the Joint Applicants submitted the Alternative Levelized Customer Benefits Plan ("Plan B-L") through the Second Supplemental Rebuttal Testimony of Prabir Purohit. Only the Customer Benefits Plan ("CBP") provides for a one-time rate credit. Under the CBP as proposed, eligible SCE&G electric customers will receive a one-time rate credit totaling \$1.3 billion in the form of a check within 90 days of the combination of SCANA with Dominion Energy.

In order to protect those federal customers of SCE&G, DoD/FEA argued that customers should have the option to choose whether it receives the rate credit in the form of a check or as a credit on their electric bills. As James T. Selecky testified on behalf of DoD/FEA, if the rate credit is issued as a check, then those federal customers of SCE&G will have to submit the check to the United States Treasury and will not be able to retain the funds. (Selecky Direct, p. 5, ln 1-14) However, if the rate credit is issued as a credit

on the electric bill, then those federal customers will be able to retain the funds. (Selecky Direct, p. 5, ln 10-12)

At the hearing, Dominion witness James R. Chapman agreed that Dominion could take into consideration a modest alteration to the issuance of the one-time rate credit in order to accommodate the unique interests of SCE&G's federal customers. After Mr. Chapman testified, Dominion filed the Second Supplemental Rebuttal Testimony of Prabir Purohit where he set forth a number of the Joint Applicants' Proposed Merger Conditions. (Purohit Second Supplemental Rebuttal, Exhibit PP-4A) Included in the Joint Applicants' Proposed Merger Conditions is a condition that "SCE&G agrees that, if a cash refund for rates is given, then the Department of Defense and all other Federal Executive Agencies will have an option to select whether they receive the refund of rates as a check or as a credit on their billing invoice." (Purohit Second Supplemental Rebuttal, Exhibit PP-4A, p. 7, para XII)

If the Commission approves the CBP or orders any other cash credit, then SCE&G's federal customers should have the option to select whether they receive the credit as a credit on their electric bills or as a check as set forth in the Joint Applicants' Proposed Merger Conditions. This would protect federal customers of SCE&G, who have been paying for the New Nuclear Development project costs and will continue to pay for them, and allow these dollars to not go outside the State of South Carolina.

Securitization

The Joint Applicants are proposing to amortize the New Nuclear Development ("NND") project capital costs over twenty years using traditional ratemaking principles.¹

¹ The Joint Applicants propose to recover NND project capital costs of \$3.3 billion under the CBP, \$2.772 billion under Plan B, and \$2.768 billion under Plan B-L.

However, as Mr. James T. Selecky on behalf of DoD/FEA testified, this is not the most cost effective way to amortize the NND project costs. If the NND project costs are amortized through securitization rather than through traditional ratemaking, then there would be a much lower revenue requirement because the cost of capital with securitization is simply the cost of AAA-rated bonds plus issuance costs, compared to SCE&G's before-tax cost of capital with traditional ratemaking. (Selecky Direct Testimony, p. 9, ln 1-12)

In addition to Mr. Selecky testifying in favor of securitization, the Office of Regulatory Staff witness Lane Kollen and South Carolina Coastal Conservation League and Southern Alliance for Clean Energy witness Ronald J. Binz both testified regarding the many advantages of securitizing the NND project costs.

If the NND project costs are amortized through securitization, it could bring considerable rate relief to SCE&G customers. While legislation does not currently exist in South Carolina which would allow for securitization, it would be prudent for the Commission to allow an avenue for securitization if the General Assembly enacts such enabling legislation prior to the full retirement of the NND debt. Securitization has been proven to be successful in other states. Dominion has stated that it will not continue to pursue the combination of it with SCANA if the Commission allows for an avenue for securitization. However, the Commission must consider both the interests of the utility and the ratepayers, and in doing so it must determine what is fair and reasonable for the ratepayers to incur for this unused, abandoned nuclear plant. If the Commission approves the combination of Dominion and SCANA, it should provide a means for securitization to be used, if such enabling legislation is passed prior to the full retirement of the NND debt.

Respectfully submitted,

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